Remarks and Arguments

Claim Rejections based on 35 USC § 101

The Office Action purports to reject claims 13-16 and 20-23 as not patentable subject matter pursuant to 35 USC §101. However, those claims were no longer a part of the instant application, since, in response to the initial Office Action on this application, dated June 14, 2005, imposing a restriction requirement, Applicant filed a response electing to pursue claims 1-9, and withdrawing claims 10-60 from consideration, without prejudice to their being pursued in a divisional application at a later date. This response affirms the withdrawal from consideration of former claims 10-60, and a revised listing of claims reflecting this election is provided.

Claim Rejections based on 35 USC § 102(e)

1. Claim 1 was rejected as being anticipated by Barbara, citing the Abstract, Fig 1, and paragraph 21.

Applicant respectfully suggests that the Office Action misapprehends the nature of the two very different inventions described by Barbara and by the instant application for a Persistent Dynamic Payment System (hereinafter "PDP" or "PDPS").

Barbara does describe a method for making on-line payments, but that is about as far as the similarities go. Like the other payment approaches mentioned in the PDP "background of the prior art" section (namely SET,

Rosen, and Linehan), Barbara involves a new method of online payment, which is incompatible with most current payment schemes, and does not, as does PDP, provide a cardholder with an improved means of payment over existing payment systems.

As consistently specified by Barbara, a user attempts to make a purchase at an online merchant in the manner described in cited Paragraph 21:

"[0021] In the on-line payment method and system for an embodiment of the present invention, the user can use the funds residing in the transaction account, for example, for making on-line payments, on-line purchases, off-line purchases, cash withdrawals, credit card account payments, bill payments, and/or international payments with funds in the transaction account. For an on-line payment, for example, funds in the transaction account are designated for the online payment to a recipient according to an instruction by the user. The user can make an on-line purchase, for example, by authorizing payment to an on-line merchant for an on-line transaction by furnishing the on-line merchant the transaction account number."

Nothing in the also-cited Abstract, or in Fig. 1, adds to the disclosure anything like the system described in PDP.

Barbara specifies that the transaction account number follows a specific syntax: "[0059] The transaction account 30 for an embodiment of the present invention enables the recipient 14 to save or accumulate the money that is received. The transaction account 30 is a depository account subject to all of the rules and regulations of any bank account."

However, existing online merchants do not accept Barbara's transaction account number. In Barbara, an online purchase or payment could only be

made at a merchant who has modified/customized their web site in advance to accept the "furnished transaction account number" provided by the user, which is necessarily in an entirely different form from the format currently utilized for receipt by the merchants of credit card or debit card information.

The existing standard process for making online merchant purchases is that the payer enters a credit card number, billing address, expiry date, and the other information needed for authorization of a credit card transaction through the payment network.

Barbara clearly distinguishes that the transaction account number is <u>not</u> a credit card number, and those with knowledge in the art know that the transaction account, adhering to Barbara's specified deposit account standard, cannot be a credit card account. Credit card numbers follow a unique globally standard syntax which is different from bank deposit account numbers. (For example, all credit card numbers begin with a standard prefix -- Visa is 4, MasterCard is 51 to 55, Discover is 6011, etc.; debit card numbers follow the same syntax as credit cards, and are also different from deposit account numbers.) In addition, Barbara makes no reference to the other information that a user would be required to provide to the merchant to authorize a credit card transaction (billing address, expiry date, etc.). Given the existing standard process for authorizing online merchant purchases, a user of Barbara's service cannot furnish the transaction account to an online merchant and conduct an online purchase, without having made a prior arrangement with an online merchant to customize the site's design to accept the transaction account for payment.

As discussed in PDP's section on the prior art, payment methods that, like Barbara, require participants to conform to a new protocol, are insufficient and cannot readily be widely adopted given the millions of existing online

merchants who are hesitant to change their sites. Even the most successful alternative payment process, PayPal, has less than 5% of the global eCommerce payment volume [Sources: Forrester Research / Shop.org (US); IDC (non-US)]. One of the reasons PayPal hasn't been more widely adopted is that merchants are reluctant to change their shopping cart to accept entry of the user's email address, which is analogous to the way the user would furnish Barbara's transaction account number.

The challenge that PDP addresses is how to enable virtually any cardholder with browser access to the Internet to complete a purchase transaction with virtually any of the millions of global online merchants, without requiring the merchants to do anything differently from their current processes. Unlike Barbara, PDP is able to enhance the security and flexibility of the overall payment process without impacting the merchant's standard payment process, indeed without the change even being visible to the merchant.

As stated in the PDP Summary of Invention, "embodiment of the invention improve the existing methods and systems". On page 10, line 8-10, "It is important to note that the operation of the PDPS does not require participation of the merchant in any way beyond the normal process of submitting an authorization request to the acquiring bank." As stated on PDP page 23, line 29 to page 24, line 3, "The proxy account number has the standard syntax of a credit card number ... When a payer utilizing the PDPS goes shopping on the Internet, the proxy account number is entered when a credit card number is requested." PDP Claim 1 recites "in a method of making a payment from a payer to a merchant of the type where the payment involves the merchant accepting a proposed payment in the form of an account number having a standard syntax from a payer."

Thus, PDP differs in a fundamental way from Barbara, with its approach of requiring on-line merchants to adopt a new payment protocol. For that reason alone, Barbara does not anticipate PDP claim 1.

There are other important differences as well, however, which demonstrate that, contrary to what is stated in the Office Action, Barbara does not in fact anticipate claim 1 of PDP.

Claim 1 covers: "a method of making a payment from a payer to a merchant of the type where the payment involves the merchant accepting a proposed payment in the form of an account number having a standard syntax from the payer at completion of a purchase, followed by the merchant requesting an authorization for the proposed payment from a financial institution, the improvement comprising the following act performed by a trusted third party service:
a) authenticating the payer and authorizing the proposed payment in a single integrated process conducted without the involvement of the merchant."

As will be shown, Barbara does not disclose PDP's novel improvement of "authenticating the payer and authorizing the proposed payment in a <u>single integrated process</u> conducted without the involvement of the merchant."

In Barbara, authentication and authorization are clearly two separate processes, not a single integrated process. In the prior art, authentication and authorization have always been done as two separate processes, and the same is true of Barbara; whereas PDP is distinguished by its ability to meld the formerly separate processes into a single integrated process.

First, some background on the term "authorization." As stated on page 2 of the PDP application, "Methods of conducting e-Commerce transactions

wherein a buyer (payer) pays for goods or services obtained from a merchant (recipient) with a credit card in an online transaction over a computer network, such as the Internet, are well known in the prior art. While there are variations, the usual process for making such a transaction is that the payer enters a credit card number, billing address, and other information needed for authorization of the payment onto a form on the web site to pay for an e-commerce transaction. The credit card number and the other information are transmitted over the Internet from the payer to the web site, generally in an encrypted form such as Single Socket Layer ('SSL'). The merchant site translates the information into a standard inter-bank protocol and forwards the information to a financial institution, usually known as the merchant's Acquiring bank, with which the merchant has an existing relationship, generally over secure lines. The Acquiring bank forwards the transaction to the issuer of the credit card, generally known as the issuing bank, over a secure inter-bank payment network, based on routing information that is part of the credit card number. The issuing bank either approves or denies the proposed transaction and returns the decision to the merchant through the Acquiring bank."

The above process is presented in PDP Figure 1, which shows that the purchase authorization process takes place between the merchant's back end system, the Acquiring bank, and the issuing bank.

Comparing PDP Figure 2 with Barbara Figure 1 highlights the fundamental difference between the two inventions. PDP Figure 2 shows that the interaction between the Acquiring and issuing banks takes place over a payment network, e.g., Visa's network. This is a private, secure network and is not accessible to the Internet or to Internet attached applications such as those described by Barbara.

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Figure 1 of Barbara shows the Internet portion of the interaction between the recipient (merchant), the cardholder, and the third party that is partnered with a financial institution. The payment network itself is not shown. Most importantly, the interconnection between the recipient (merchant), and the financial institution is not shown. Barbara relies on the existing processes provided by the partner financial institution, which processes do not provide for authenticating and authorizing a purchase transaction in a single integrated process.

Barbara clearly states that it relies on the existing processes provided by the partner financial institution:

"[0105] An embodiment of the present invention touches several of the financial institution's systems, such as the financial institution's merchant business, which has a role as the facilitator of payments and in issuing bank credit cards. An embodiment of the present invention also leverages the financial institution ACH system as the facilitator and processor of ACH payments that customers choose to use for checking accounts. In addition, an embodiment of the present invention leverages, for example, a bank card operated accounting system of the financial institution, which is a card member transactions system, as well as the bank card's Internet system that facilitates the Internet backend."

"[0067] In addition, the merchant payments aspect for an embodiment of the present invention leverages the strength of the existing credit card business of the service providing financial institution 20"

Not only does Barbara's infrastructure make it impossible to both authenticate and authorize in a single process, Barbara does not even mention the ability to perform the authorization process for a payment transaction. When the word "authorization" is mentioned in Barbara, it is

used in a completely different meaning of the word. One place it is used it relates to the process of performing initial registration of a user's credit card:

"8. The method of claim 7, wherein receiving the information from the user about the credit card account further comprises performing a back end <u>authorization</u> to confirm that the information relates to a valid credit card account of the user." So, Barbara's back end "authorization" to validate a credit card <u>account</u> is entirely different from PDP claim 1, which covers the authorization process for a discrete <u>payment</u> transaction initiated by an on-line merchant. In a second use of the word authorization by Barbara, it is again not related to the process of obtaining authorization from a financial institution, but rather describes the process a <u>user</u> follows to give <u>approval</u> for a payment, for example:

"29. The method of claim 1, wherein allowing the user to use the funds in the transaction account for making a credit card account payment further comprises <u>allowing the user to authorize</u> a payment to the user's credit card account with funds in the transaction account <u>according to an instruction by the user</u>."

PDP Figures 3 and 4, by contrast, clearly show both the Internet network and the payment network, and how PDP performs the function which is its key innovation: integrating the two networks during an on-line authorization transaction, and therefore being able to integrate the Internet authentication of the user and the authorization of the payment network into an <u>single process</u> that takes place <u>during</u> the on-line transaction. Because this integrated process can take place without the merchant needing to modify its existing payment protocol, it is accurately described in PDP claim 1 as "authenticating the payer and authorizing the proposed payment in a single integrated process conducted without the involvement of the merchant."

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Thus, Barbara does not even remotely anticipate the improvements of PDP, which integrates the authentication and authorization process into a single integrated process, as described above, to create a unique payment service that improves the security and privacy of an online payment, while giving payers dynamic control over the online payment transaction after the merchant submits the payment to the payment network, all achieved within the constraints of the existing standard merchant payment process over the Internet.

It is simply not the case, as stated in the Office Action, that "As per claim 1, Barbara et al. discloses a method of making a payment, ... the improvement comprising the following act performed by a trusted third party service: authenticating the payer and authorizing the proposed payment in a single integrated process conducted without the involvement of the merchant." Barbara does not provide a means of authenticating the payer and authorizing the proposed payment in a single integrated process, let alone do so without the involvement of the merchant, as merchant modification of its payment system would be required to accept Barbara's transaction account. In addition, given these very fundamental differences between the design and operation of Barbara and PDP, a person of ordinary skill in the art would not be motivated by the information disclosed in Barbara to create the invention described in PDP claim 1.

Accordingly, the Applicant respectfully requests that the Examiner withdraw the Office Action's rejection of claim 1, and allow that claim.

2. Claim 2 was likewise rejected as being anticipated by Barbara, again citing the Abstract, Fig 1, and paragraph 21.

PDP claim 2 recites a method comprising "The improvement of claim 1 further comprising the act of:

a) allowing a persistent channel to be established between the trusted third party service and the payer prior to the payer completing the purchase, and wherein the act of authenticating the payer and authorizing the proposed payment in a single integrated process comprises the act of verifying that the persistent channel is available, and optionally contacting the payer over the persistent channel for additional authorization, if additional authorization is required by predetermined preferences."

First, as covered at length above, Barbara does not anticipate PDP Claim 1, from which claim 2 depends. Claim 2 incorporates all the elements of claim 1, and then adds a new element to the method of claim 1. Therefore, since, as demonstrated above, claim 1 is not anticipated by Barbara, it is impossible for claim 2 to be anticipated by Barbara.

In addition, even assuming for the purpose of argument that claim 1 were anticipated, the additional elements incorporated by claim 2 are not present in Barbara.

PDP Figures 3 and 9 show, from the process and technical perspectives, respectively, the creation of a persistent channel between the cardholder (customer) and the third party service (the PDPS) while the PDPS is connected to the payment network. This connection is maintained during the entire payment transaction and is in addition to the cardholder's connection to the merchant (recipient).

In online transactions according to the instant invention, a payer authenticates to the PDPS over the persistent channel before a transaction

is completed with a merchant, and the transaction is validated using the persistent channel after the transaction is completed with the merchant.

This is very different from the service presented in Barbara, which does not mention any involvement with the online processing of the transaction during the authorization process with the merchant, while it passes through the payment network. Barbara receives the results of the authorization process from its partner financial institution, and apparently receives them only after the transaction is completed according to the partner's existing processes.

The Office Action references the following paragraph in Barbara as support for its assertion:

"[0021] In the on-line payment method and system for an embodiment of the present invention, the user can use the funds residing in the transaction account, for example, for making on-line payments, on-line purchases, off-line purchases, cash withdrawals, credit card account payments, bill payments, and/or international payments with funds in the transaction account. For an on-line payment, for example, funds in the transaction account are designated for the online payment to a recipient according to an instruction by the user. The user can make an on-line purchase, for example, by authorizing payment to an on-line merchant for an on-line transaction by furnishing the on-line merchant the transaction account number."

But Barbara's referenced process is completely different from PDP. For example, there is no requirement to be signed onto Barbara's service, or to remain signed on, when conducting an on-line purchase at a recipient (merchant), whereas PDP requires the persistent user authentication channel to be present to authorize a payment.

Since authorization is the step that takes place after the payment is submitted at a merchant (i.e., after the 'buy' button is pressed), it is not possible for Barbara to provide user control over authorization, as there is at that point no persistent channel connecting the user, the merchant, and the payment system. It is fundamentally impossible for Barbara to perform the stated function. Nor does anything in Barbara's also-cited Abstract or Fig.1 suggests in any way the presence of such a persistent channel.

Modifying Barbara to provide the persistent channel is antithetical to the original intent of Barbara, which is to leverage the Internet to facilitate and aggregate many types of payments on behalf of users by leveraging the existing processes of a financial institution partner, and such a modification would fundamentally change Barbara from the way it was intended to be used. For the same reason, no person of ordinary skill in the art would be motivated by the information in Barbara to create the innovation described by PDP's claim 2.

Accordingly, the Applicant respectfully requests that the Examiner withdraw the Office Action's rejection of claim 2, and allow that claim.

3. Claim 3 was likewise rejected as being anticipated by Barbara, citing the Abstract, paragraphs 21 and 93, and Figs 1-4.

PDP claim 3 recites a method comprising "The improvement of claim 2 further comprising the acts of:

a)   receiving a request from a Payment Processor for approval of the proposed payment pertaining to the account number, whereby the account number was submitted as the proposed payment for the purchase; and

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b)   transmitting an instruction to the Payment Processor which

        depends on whether the transaction is verified or denied."

First, as covered at length above, Barbara does not anticipate PDP Claims
1 or 2, from which claim 3 depends. Claim 3 incorporates all the elements
of claim 2, and then adds new elements to the method of claim 2.
Therefore, since, as demonstrated above, claims 1 and 2 are not
anticipated by Barbara, or even if only claim 2 is not, then it is impossible
for claim 3 to be anticipated by Barbara.

In addition, even assuming for the purpose of argument that claims 1 and 2
were both anticipated, the additional elements incorporated by claim 3 are
not present in Barbara.

PDP, page 7, lines 13-17, defines a Payment Processor as follows: "... a
financial institution which is part of the inter-bank payment network and
serves as the PDPS's gateway to the payment network. The Payment
Processor is typically a bank, or an association such as VISA or
MasterCard. The PDPS may be fully integrated with the Payment
Processor or external with a secure communications link or partially
integrated."

The PDP application explains the process stated in claim 3 in great detail.
A summary of how the PDPS approves the payment with the cardholder is
found in the description of Figure 3, at page 34, line 20:

"The Payment Processor obtains the actual card number from PDPS
(shown together as block 122) The PDPS attempts to validate the
transaction based on the preferences specified by the cardholder during
enrollment or as changed at some later date. The preferences can comprise
automatic approval or automatic rejection based on preset criteria,

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checking that the persistent channel is available, prompting for real time approval on the persistent channel, or contacting by telephone at a predetermined number. As previously noted, the cardholder may specify changes to other fields, such as transaction description, either by preference settings or during real time contact through the persistent channel. If approved the PDPS rewrites the authorization request with the valid account number, billing address, and any revised description of merchandise and returns it to the Payment Processor."

The Office Action references Barbara paragraph [0021], which was discussed above, as well as the following paragraph in Barbara to support its conclusions:
"[0093] In addition, the system for an embodiment of the present invention, for example, ensures that all transaction data is maintained, generates various reports for settlement, including a new transactions report that details each new transaction initiated through the payment processor and a new transactions summary that is a summary of the information in the new transactions report, tracks senders' transactions and dollar amounts against their limits and country specific limits, halts a sender's ability to transact if the sender exceed limits, and accepts adjustments from customer service/operational areas to the sender's clip or transaction account 22 and transaction history log 106."

But Barbara's referenced process, involving generating reports from the Payment Processor <u>after</u> the on-line transaction has completed, is very different from PDP's on-line, real-time, processing of payment transactions. PDP completes its standard processing within the approximately 10-20 seconds that elapses between a consumer hitting the "buy" button on the merchant's web site, and the issuing bank approving the authorization request from the merchant. Barbara's reliance on existing bank processing, on the other hand, leads to a non-real-time, batch

environment. Barbara paragraph [0092] explains the context of referenced paragraph [0093] as follows:

"[0092] ..., the system for an embodiment of the present invention, for example, accepts international payment orders from the web site 78, creates a daily file of transaction detail orders, and transmits the orders to IMPS 100 and WorldLink 98".

Barbara teaches batching of transactions and submitting the batch of transactions to the financial institution's system for later processing. Unlike PDP, Barbara does not directly participate in the authorization of payment transactions over the payment network, but merely interfaces with external systems of the financial institution partner.

Barbara's method is composed of many separate steps and does not provide any teaching on how authentication and authorization can both be carried out in a single integrated process, let alone a single integrated process that occurs in real time, while the user remains connected to both the merchant and the PDP Service. Nothing in the cited paragraphs, Abstract, or Figs. 1-4 shows any such capability.

Thus, Barbara does not in fact anticipate PDP Claim 3. And, as in the prior claims, the systems are so fundamentally different that no person of ordinary skill in the art would be motivated by reading Barbara to create the innovation of PDP's claim 3.

Accordingly, the Applicant respectfully requests that the Examiner withdraw the Office Action's rejection of claim 3, and allow that claim.

4. Claim 4 was likewise rejected as being anticipated by Barbara, again citing the Abstract and Fig. 1.

PDP claim 4 recites a method comprising "The improvement of claim 3 wherein the trusted third party service comprises a portal accessible on a network through which the persistent channel may be established using a network accessible device".

First, as covered at length above, Barbara does not anticipate PDP Claims 1, 2, or 3, from which claim 4 depends. Claim 4 incorporates all the elements of claim 3, and then adds new elements to the method of claim 3. Therefore, since, as demonstrated above, claims 1, 2, and 3 are not anticipated by Barbara, or even if only claim 3 is not, then it is impossible for claim 4 to be anticipated by Barbara.

In addition, even assuming for the purpose of argument that claims 1, 2, and 3 were anticipated, the additional elements incorporated by claim 4 are not present in Barbara.

While it is true that Barbara describes a portal-like service on the Internet, as discussed above, Barbara does not describe the creation of a persistent channel, which, as defined in PDP, is an on-line connection that exists between the Payment Processor and the cardholder that exists during the on-line authorization of a payment transaction over a payment network, in addition to the connection the cardholder has with the merchant. As stated in the PDP Summary of Invention, at page 8, line 5—6, "A persistent channel is a two way electronic communication with the PDPS, which is different from the channel used to communicate with the merchant"

Barbara's Abstract, referenced in the Office Action, provides no teaching related to a persistent channel.

Figure 1, also referenced in the Office Action, clearly shows a single connection between the customer and the Internet. PDP Figures 4 and 9, by contrast, show that during the authorization process the cardholders' browser maintains two separate connections, one with the merchant and the second with the PDP portal, which in turn is connected with the Payment Processor. Barbara does not disclose anything related to PDP's innovation of the persistent channel connecting the customer and the Payment Processor, via the PDP portal, at the same time the customer is connected to the merchant.

Thus, Barbara does not in fact anticipate PDP Claim 4, nor, with the fundamentally different design and operation of the two systems, and no hint of PDP's persistent channel to be found in Barbara, would a person of ordinary skill in the art be motivated by Barbara to create the invention of PDP claim 4.

Accordingly, the Applicant respectfully requests that the Examiner withdraw the Office Action's rejection of claim 4, and allow that claim.

5. Claim 5 was rejected as being anticipated by Barbara, citing paragraph 55.

PDP claim 5 recites a method comprising "The improvement of claim 4 wherein the trusted third party service further comprises a telephone connection through which the persistent channel may be established".

First, as covered at length above, Barbara does not anticipate PDP Claims 1, 2, or 3, or 4, from which claim 5 depends. Claim 5 incorporates all the elements of claim 4, and then adds new elements to the method of claim 4.

Therefore, since, as demonstrated above, claims 1, 2, 3, and 4 are not anticipated by Barbara, or even if only claim 4 is not, then it is impossible for claim 5 to be anticipated by Barbara.

In addition, even assuming for the purpose of argument that claims 1, 2, 3, and 4 were anticipated, the additional elements incorporated by claim 5 are not present in Barbara.

The referenced Barbara paragraph [0055] reads as follows:
"[0055] FIG. 4 is a flow chart which shows an example of the process of receiving a person-to-person payment for an embodiment of the present invention. .... If the recipient 14 does not want to enroll in the system, at S 19, the recipient 14 is provided, for example, with a 1-800 telephone number to call and request a check 38 from the system."

Providing a user a telephone number, so that the user can later call and request a manual check, bears no relation to PDP's systematically establishing a persistent channel with a cardholder via his or her telephone to authorize an online payment, while the cardholder is currently making an Internet purchase at an on-line merchant. Barbara makes no other relevant reference to the use of a telephone. Nothing in the cited paragraph from Barbara describes or suggests PDP's system "wherein the trusted third party service further comprises a telephone connection through which the persistent channel may be established."

PDP's embodiment making use of a telephone connection is explained on page 37, lines 15-18, and shown in Figure 5, as follows: "Another method would be to authenticate a user over the telephone and then keep the telephone line connection open as the persistent channel during the transaction. A telephone persistent channel is shown in process 142 on Figure 5"

Contrary to the Office Action, Barbara does not describe or suggest the creation of a persistent channel comprising a telephone connection, as set forth in PDP claim 5, and does not anticipate that claim, nor does it render it obvious, given the fundamentally different modes of operation of the two systems, regarding the purpose and use of a telephone connection.

Accordingly, the Applicant respectfully requests that the Examiner withdraw the Office Action's rejection of claim 4, and allow that claim.

6. Claim 6 was rejected as being anticipated by Barbara, citing the Abstract and Fig.1.

PDP claim 6 recites a method comprising "The improvement of claim 5 wherein the transaction is an e-commerce transaction on the network, and wherein the transaction takes place between the payer's network accessible device and the merchant's world wide web site on the network."

First, as covered at length above, Barbara does not anticipate PDP Claims 1, 2, 3, 4, or 5, from which claim 6 depends. Claim 6 incorporates all the elements of claim 5, and then adds new elements to the method of claim 5. Therefore, since, as demonstrated above, claims 1, 2, 3, 4, and 5 are not anticipated by Barbara, or even if only claim 5 is not, then it is impossible for claim 6 to be anticipated by Barbara.

In addition, even assuming for the purpose of argument that claims 1, 2, 3, 4, and 5 were all anticipated, the additional elements incorporated by claim 6 are not present in Barbara.

The Office Action references Barbara's Abstract, as well as Figure 1, in support of its assertion. While this material describes a form of generalized e-commerce transaction, it in no way discloses a system capable of the types of flexible, secure transactions permitted by the novel features of PDP, utilized as described in claim 6.

Network accessible devices are described in the PDP Description of the Preferred Embodiments, at page 20, lines 3-13, as follows: "Transactions are made using network accessible devices, which comprise computing devices such as computer systems, Personal Digital Assistants, network enabled wireless telephones, set top boxes, and special purpose network accessible devices. Network accessible devices comprise devices operated directly by persons, devices that are preprogrammed by software executing thereon, or which are operated by other physical devices. Network accessible devices are distinguished from ordinary telephones communicating over a telephone network. It will be appreciated by those skilled in the art that the type of transactions being discussed herein need not be carried out directly by a human user but may be carried out by a network connected automated software application, or software operated hardware device."

Barbara consistently refers to the operator of the system as a "user," i.e., an online consumer. Barbara in no way anticipates a more complex environment as stated above, where for example, a user could be a software agent as opposed to a human.

Barbara does not in fact anticipate PDP Claim 6, nor would a person of ordinary skill in the art be motivated by Barbara to create the innovation of PDP's claim 6.

Accordingly, the Applicant respectfully requests that the Examiner withdraw the Office Action's rejection of claim 6, and allow that claim.

7. Claim 7 was rejected as being disclosed by Barbara, citing Paragraph 21.

PDP claim 7 recites a method comprising "The improvement of claim 5 wherein the purchase involves personal contact between the payer and the merchant."

First, as covered at length above, Barbara does not anticipate PDP Claims 1, 2, 3, 4, or 5, from which claim 7 depends. Claim 7 incorporates all the elements of claim 5, and then adds new elements to the method of claim 5. Therefore, since, as demonstrated above, claims 1, 2, 3, 4, and 5 are not anticipated by Barbara, or even if only claim 5 is not, then it is impossible for claim 7 to be anticipated by Barbara.

In addition, even assuming for the purpose of argument that claims 1, 2, 3, 4, and 5 were all anticipated, the additional element incorporated by claim 7 is not present in Barbara.

The Office Action references Barbara paragraph [0021] to support its assertion:

"[0021] ....The user can also make an <u>off-line purchase by authorizing payment to an off-line bricks and mortar merchant using a transaction card provided to the user</u> in connection with the transaction account. Alternatively, the user can withdraw funds in cash from the transaction account at a self-service financial transaction terminal with the transaction card."

While a physical purchase card, if desired, can be provided in both Barbara and PDP, the way any card transactions are processed is very different. In Barbara the transactions would be processed through its financial intermediary partner using their existing processes, as described in cited paragraph 21, above.

The use of such a card in PDP is described starting at page 37, line 7 of the written description, and on Figure 5: "The credit card can also be used with an in person transaction at the merchant's store, as shown in process 105 on Figure 5. There are a number of options which can implemented in this case. ... Another method would be to authenticate a user over the telephone and then keep the telephone line connection open as the persistent channel during the transaction. A telephone persistent channel is shown in process 142 on Figure 5."

Figure 5 describes a very different purchase process from Barbara, since the persistent channel is created between the user's telephone and the PDP connected to the payment network (142). Before the purchase is approved the PDP verifies that the persistent channel is present, and assuming it is, the online authorization transaction is competed back to the merchant (110).

Barbara allows users to register a credit card account as a source account for the transaction account, and insulates users from utilizing their credit card number by allowing users to provide recipients their transaction account number instead. In [0061] Barbara also discusses issuing their users a physical credit card so that payments could be conducted in the real world. In this case, however, since the physical card uses the standard credit card number syntax, the transaction is processed just like any standard credit card transaction, and without PDP's improvements of a

single integrated authorization and authentication process, persistent mediation, etc.

So, Barbara does not describe or suggest that during a purchase from an "off-line bricks and mortar merchant," a persistent channel is created to authenticate and authorize the purchase, as is the case in PDP claim 7.

Barbara therefore does not anticipate claim 7, nor would a person of ordinary skill in the art be motivated by Barbara to create the aspect of PDP that is set forth in claim 7.

Accordingly, the Applicant respectfully requests that the Examiner withdraw the Office Action's rejection of claim 7, and allow that claim.

8. Claim 8 was rejected as being anticipated by Barbara, citing Paragraphs 58, 61, and 93.

PDP claim 8 recites a method comprising "The improvement of claim 6 or claim 7 wherein the Payment Processor is the issuer of a payment card account having the account number."

First, as covered at length above, Barbara does not anticipate PDP Claims 1, 2, 3, 4, 5, 6, or 7, from which claim 8 depends. Claim 8 incorporates all the elements of claim 6 or claim 7, and then adds new elements to the methods of those claims. Therefore, since, as demonstrated above, claims 1, 2, 3, 4, 5, 6, and 7 are not anticipated by Barbara, or even if only claims 6 and 7 are not, then it is impossible for claim 8 to be anticipated by Barbara.

In addition, even assuming for the purpose of argument that claims 1, 2, 3, 4, 5, 6, and 7 were all anticipated, the additional elements incorporated by claim 8 are not present in Barbara.

Claim 8 introduces an alternative that impacts which physical entity processes which portion of the method. See PDP page 13, line 10: "In one attractive embodiment, the proxy account number is also a valid account number of an actual account, when the actual account is issued by the Payment Processor (i.e., the issuing bank is the Payment Processor)." Comparing Figure 4, where the PDPS is a separate entity, with Figure 5, where the issuing bank assumes the role of the PDPS, shows that one step is eliminated in this option because the issuing bank and the Payment Processor coincide.

The Office Action references Barbara paragraph [0058], [0061] and [0093]. While Barbara does mention issuing a physical credit card, the method in which the credit card is authenticated and authorized is completely different – it is still the same multi-step process, leveraging the same processes of the partner financial institution, as discussed above with respect to earlier claims, as opposed to the integrated authorization and authentication process afforded by the PDPS. Barbara also does not envision the streamlined process that eliminates a step when the issuing bank and the Payment Processor coincide. Nothing in the cited paragraphs is to the contrary.

Barbara therefore does not anticipate claim 8, nor does Barbara provide information, which would motivate a person of ordinary skill in the art to create the innovation of PDP claim 8.

Accordingly, the Applicant respectfully requests that the Examiner withdraw the Office Action's rejection of claim 8, and allow that claim.

9. Claim 9 was rejected as being anticipated by Barbara, citing Paragraphs 55, 98, and 101.

PDP claim 9 recites a method comprising "the improvement of claim 6 wherein the trusted third party service comprises an instant message system and the persistent channel is established over the instant message system."

First, as covered at length above, Barbara does not anticipate PDP Claims 1, 2, 3, 4, 5, or 6, from which claim 8 depends. Claim 8 incorporates all the elements of claim 6, and then adds new elements to the method of that claim. Therefore, since, as demonstrated above, claims 1, 2, 3, 4, 5, and 6 are not anticipated by Barbara, or even if only claim 6 is not, then it is impossible for claim 8 to be anticipated by Barbara.

In addition, even assuming for the purpose of argument that claims 1, 2, 3, 4, 5, and 6 were all anticipated, the additional elements incorporated by claim 9 are not present in Barbara.

The Office Action references Barbara paragraph [0055], [0061] and [0103] in support of its assertions.

"[0055] FIG. 4 is a flow chart which shows an example of the process of receiving a person-to-person payment for an embodiment of the present invention. Referring to FIG. 4, while the recipient 14 is browsing through the recipient's e-mail, for example, at SI 7, the recipient 14 discovers that he or she has an e-mail message advising that the recipient 14 has received the funds. At S18, the recipient 14 is asked to register to the service of the present invention to receive the funds. If the recipient 14 does not want to enroll in the system, at S 19, the recipient 14 is provided, for example,

with a 1-800 telephone number to call and request a check 38 from the system ..."

"[0098] In a user interface aspect for an embodiment of the present invention, for example, labels are hyperlinked with pop up windows that explain the field with additional context help as appropriate. Javascript is used for real time validation of all required fields. Information collected from the customer 10 or 14 is displayed on edit/confirm pages. The customer 10 or 14 is allowed to edit the information necessary, and data entry is simplified. Error messages are generated by an Internet layer, based on requirements of fields and tables. These messages are specific and user-friendly. User information for each session is cached on the Internet level to facilitate additional flexibility in both display and capture of information, as well as greater speed."

"[0103] Additional features of the user interface for an embodiment of the present invention include, for example, secure messaging, a point of entry into the system, and branding. New registrations enter the system of the present invention via a variety of customized flows. Existing customers have a specific logon page which has the ability to have marketing notices posted to the customer. ..."

These references mention Barbara's use of email, and the ability to display error messages to the user. It is not clear what Barbara means by secure messaging as it is not mentioned anywhere else in the document. It is reasonable to conclude, however, that this relates to the use of a secure email approach, as email is mentioned elsewhere in the document. In any event, Barbara does not teach the use of an instant message system, let alone the use of an instant messaging system as a persistent channel to authenticate and authorize a purchase transaction in a single integrated process without participation by the merchant, as PDP does.

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PDP Figure 12B shows how the instant message system is utilized as a persistent channel (207 and 204) in PDP. It is important to note that an online authorization method cannot be conducted with one part being based on an email message to a participant in the process. Online authorization takes place within seconds, and only an instant message, which is instantly displayed, could be utilized in PDP.

Contrary to the Office Action, Barbara does not describe "the improvement of claim 6 wherein the trusted third party service comprises an instant message system and the persistent channel is established over the instant message system". In fact, Barbara's teaching of an email system runs counter to PDP's use of a persistent channel while the transaction is taking place, and especially to utilizing instant messaging to establish such a real-time persistent channel.

Barbara therefore does not anticipate claim 9. Nor would a person of ordinary skill in the art be motivated to create a system like PDP, including the innovation described by claim 9, based upon the information in Barbara.

Accordingly, the Applicant respectfully requests that the Examiner withdraw the Office Action's rejection of claim 9, and allow that claim.

Conclusion

Barbara simply does not disclose what the Office Action says it does, with respect to claims 1-9 of this application. As discussed at length above, Barbara does not anticipate PDP claims 1-9. Nor does Barbara provide

information from which a person of ordinary skill in the art would be led to create the invention circumscribed by those claims.
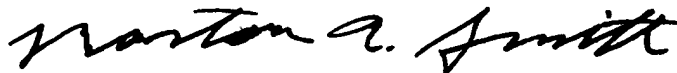
Accordingly, the Applicant respectfully requests that the Examiner withdraw the Office Action's rejection of Claims 1-9, and allow those claims.

Claims 10-60 are withdrawn from consideration. A revised set of claims reflecting this withdrawal is attached.

Applicant believes that claims 1- 9 of the present application are now in condition for allowance, and respectfully requests that the application be passed to allowance.

Please contact the undersigned attorney at (408) 293-0880 to discuss any aspect of this case.

Respectfully submitted,

Barton A. Smith
Registration No. 50,763
Attorney for Applicant